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# ANNUAL REPORT

For the Year Ended  
December 31, 1938



424 NORTH NINETEENTH STREET  
PHILADELPHIA, PA.

OFFICE OF THE PRESIDENT

To the Stockholders of  
*American Stores Company:*

There is submitted herewith the annual report of your corporation for the year ended December 31, 1938.

The consolidated net earnings for the year 1938 amounted to \$57,627., as compared with \$495,634. for the preceding year. Included as a charge against earnings is a reserve for the Pennsylvania Chain Store tax of \$760,760. in the year 1938 and \$485,218. in the year 1937.

On February 20, 1939, the Dauphin County Court declared the Pennsylvania Chain Store tax unconstitutional and granted a permanent injunction restraining the Commonwealth of Pennsylvania from collecting this tax. If this decision is unappealed, or, if appealed and is sustained, the adjusted consolidated earnings for the years 1938 and 1937, after making provision for additional Federal and State income taxes on the increased earnings by reason of the invalidation of this tax, would be \$676,087., or 51c per share for the year 1938 and \$855,566., or 65c per share for the year 1937.

While the results for the year 1938 are disappointing, it is gratifying to be able to report an improvement in earnings during the second half of the year. In the first six months the consolidated net loss, after chain store taxes, amounted to \$160,913., as compared with a profit of \$218,540. in the six months ended December 31, 1938. This was due to an increase in sales and a more satisfactory spread between cost and retail prices.

Sales decreased during the year 4.11%. In the year 1938 sales aggregated \$109,852,806., as compared with \$114,565,593. for the preceding year. The Bureau of Labor statistics show that retail food costs throughout the United States were 7% lower in the year 1938 than the prices prevailing in the preceding year. In the territories served by your stores, however, the same statistics show that the retail food prices were approximately 8% lower. This decline in retail food prices indicates, when compared with the percentage of decrease in our dollar sales volume, an increase in tonnage sales during the year.

The number of retail stores in operation at the year end was 2,416, or 204 stores less than at the end of 1937. During the year, 345 of the smaller or unprofitable units were closed and 141 stores, of which 132 were self-service markets, were opened.

The direct taxes paid by your company, excluding Federal and State income taxes and the Pennsylvania Chain Store tax, have doubled in amount during the period 1931 to 1938. Included in this increase are Federal and State unemployment insurance and Federal old age benefit taxes, aggregating \$653,760. While the purposes of these taxes are worthy, their imposition, at the heavy rates in effect, has placed a burden upon the company in a period of uncertain economic conditions.

The company had 8,964 stockholders at the year end. In behalf of the Board of Directors, I wish to express appreciation of the support and co-operation of our stockholders and employees during the past year.

Respectfully submitted,

WILLIAM PARK,  
*President.*

February 27, 1939

# AMERICAN STORES COMPANY

and Subsidiary Companies

## Consolidated Balance Sheet

December 31, 1938

### ASSETS

#### Current Assets

Cash.....	\$	5,078,025.33
U.S. Government and Other Marketable Securities—at cost.....		2,704,560.91
(Market Value \$2,482,714)		
Accounts Receivable:		
Due from Relief Agencies.....	\$	245,124.05
Other Trade Accounts.....		171,719.86
Miscellaneous Accounts.....		89,071.88
		505,915.79
Inventories (quantities and condition determined by companies— valued at lower of cost or market).....		11,272,901.97
Total Current Assets.....		19,561,404.00
Loans to Employees—with common stock of company as collateral —less reserve.....		166,665.47
Miscellaneous Investments and Balances in closed banks—less reserve		34,880.07

#### Fixed Assets

Land, Buildings, Machinery, Equipment, Fixtures, etc.—at cost.....	21,348,316.47	
Less: Reserve for Depreciation.....	10,019,504.19	11,328,812.28
Goodwill.....		1.00
Deferred Charges		
Prepaid Insurance, Taxes, etc.....	452,314.10	
Pennsylvania Chain Store Tax.....	294,663.30	746,977.40
		<u>\$ 31,838,740.22</u>

### LIABILITIES AND CAPITAL

#### Current Liabilities

Accounts Payable and Accrued Charges.....	\$	1,289,689.81
Reserve for Federal and State Taxes.....		519,033.79
Total Current Liabilities.....		1,808,723.60

#### Reserves

Pennsylvania Chain Store Tax.....	\$	1,540,642.00
Contingencies.....		514,129.44
		2,054,771.44

#### Capital and Surplus

Common Stock—no par value		
1,500,000 shares authorized		
1,400,000 shares issued.....		19,374,156.46
Earned Surplus.....		12,121,198.03
		31,495,354.49
Less: Treasury Stock 98,680 shares.....		3,520,109.31
		27,975,245.18
		<u>\$ 31,838,740.22</u>

# AMERICAN STORES COMPANY

and Subsidiary Companies

## Statement of Consolidated Income and Surplus

*for the Year Ended December 31, 1938*

### INCOME ACCOUNT

Sales .....		\$109,852,806.76
Cost of Merchandise Sold.....		<u>88,482,764.89</u>
Gross Profit.....		21,370,041.87
Wages, Rents, Advertising, Operating and Administrative Expenses .....	\$ 19,018,205.30	
Social Security Taxes.....	653,760.58	
Depreciation.....	<u>953,661.92</u>	20,625,627.80
Profit from Operations.....		744,414.07
Income from Investments.....		<u>88,673.85</u>
Profit before Pennsylvania Chain Store and Income Taxes.....		833,087.92
Pennsylvania Chain Store Tax .....	760,760.57	
Federal and State Income Taxes .....	<u>14,700.00</u>	775,460.57
Net Income.....		<u><u>\$ 57,627.35</u></u>

### EARNED SURPLUS

Balance—December 31, 1937 .....	\$ 12,040,452.71
Refunds of Processing Taxes applicable to prior years, net of Federal and State Taxes payable thereon.....	23,117.97
Net Income for year 1938 .....	<u>57,627.35</u>
Balance—December 31, 1938.....	<u><u>\$ 12,121,198.03</u></u>

# BARROW. WADE. GUTHRIE & CO.

## ACCOUNTANTS AND AUDITORS

(ESTABLISHED 1883)

GIRARD TRUST BUILDING

SOUTH PENN SQUARE

PHILADELPHIA. PA.

*To the Board of Directors,*

*American Stores Company,*

*Philadelphia, Pa.*

We have made an examination of the consolidated balance sheet of American Stores Company and its subsidiary companies as at December 31, 1938, and of the statement of consolidated income and surplus for the year so ended. In connection therewith, we examined or tested accounting records of the Companies and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statement of consolidated income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained during the year under review, the consolidated financial position of the Companies at December 31, 1938, and the combined results of their operations for the year ended that date.

BARROW, WADE. GUTHRIE & CO.,

*Auditors.*

Philadelphia, Pa.

February 24, 1939.

# *American Stores Company*

## OFFICERS

<i>President</i> .....	William Park
<i>Vice-President</i> .....	Robert H. Crawford
<i>Vice-President and General Manager</i> .....	James K. Robinson
<i>Vice-President and Treasurer</i> .....	Wm. M. M. Robinson
<i>Vice-President and Secretary</i> .....	E. J. Flanigan
<i>Vice-President</i> .....	Fred W. Johnson
<i>Assistant Treasurer</i> .....	Wm. Gould
<i>Assistant Secretary</i> .....	J. V. Keers

## DIRECTORS

Samuel Robinson	William Park
Robert H. Crawford	James K. Robinson
John Eagleson	Wm. M. M. Robinson
E. J. Flanigan	Joseph Gilfillan
John M. Hancock	Wm. Gould